

Fast-track Approvals Act 2024 – Delmore Substantive Application
Technical Addendum

FTAA-2502-1015 / BUN60444768

1.0 Technical Specialist - Economics

From: James Stewart

Date: 18/07/2025

2.0 Executive Summary / Principal Issues

I have previously recommended a cost-benefit analysis from a societal perspective of the Proposed Development demonstrating the resource trade-offs arising from the Proposed Development.

My interpretation of the Fast Track Approvals Act’s (**FTAA**) purpose, under s3 FTAA, is that the “significant regional or national benefits” must be seen in the context of the costs borne by society that are likely to arise of the proposed infrastructure or development project because societal resources are limited.

Economic thinking and analysis are required to systematically weigh up the resource trade-offs arising from the Proposed Development and express the inherent uncertainty via sensitivity testing of any welfare impacts to underlying assumptions.

The applicant’s economist (Mr Thompson on behalf of Urban Economics Ltd) and I disagree on several economic issues. The most salient of which are:

- Demand for housing and how prices are determined
- Distinguishing price (housing as an asset) from affordability (ability to pay given price)
- Our respective understanding of costs and benefits
- The feasibility of undertaking a cost-benefit analysis
- The relevance of a cost-benefit analysis for a FTAA application

3.0 Specialist Assessment – Previous Memo / Comments Overview

Summary of 25/06 Issues identified

- The substantive point of my Addendum (dated 25 June 2025) was the costs and benefits of resource trade-offs arising from the Proposed Development have not been considered and there is no systematic weighing up of the costs and benefits. In my view, it is not possible to determine if the Proposed Development represents a net benefit over Auckland’s planned growth path, or if the

Proposed Development has “significant regional or national benefit”. I suggest that a CBA of the Proposed Development would fill these gaps.

- I interpret the legislative intent of the FTAA purpose, “...significant regional or national benefits”, to be benefits net of costs.
- The Proposed Development imposes additional costs on society by being out-of-sequence.
- I disagreed with Mr Thompson on a number of economic issues:
 - Distribution of demand for dwellings
 - Understanding of affordability and trade-offs
 - The cost burden of infrastructure being a material consideration
 - Whether a cost-benefit analysis is possible
 - Definitions of benefit, cost, transfers and externalities.
- I provided a high-level conceptual framework for a CBA to assist the Panel and Applicant.
- I provided high level calculations of the scale of the Proposed Development.
- I responded to the Panel’s questions from their Minute 3 (dated 26 May 2025) and, where relevant, Mr Thompson’s responses to the Panel.

4.0 Specialist Assessment – Material Reviewed

Review of 07/07 Updates

I have reviewed the following information in forming my response:

- Appendix 53.1 - Updated Economic Report
- Appendix 53.2 - UE Response to AC Economics
- Appendix 53.3 - Local Centre Market Assessment
- 20250705 Memorandum of counsel response to comments final

The information provided does not resolve the issues I have raised in my previous memo or addendum.

5.0 Specialist Assessment – Addendum – Outstanding Issues / Information Gaps

At the time of writing this Memo, and having reviewed the 7 July updates from the Applicant, I have identified the following outstanding and new issues and information gaps:

Outstanding Issues

The key outstanding issues are as follows:

Responding to Appendix 53.2 – UE Response to AC Economics:

- Mr Thompson misquotes my position (page 2), suggesting I stated that Ara Hills would compete only with Milldale. In fact, my point was that greenfield development competes with opportunities across the existing urban area—not just other greenfield sites—which is why it may contribute to improved affordability.

- Mr Thompson asserts that my position is that plan-enabled capacity should precisely align with existing infrastructure capacity (page 3). This is a mischaracterisation. My view is that plan-enabled capacity should be guided by demand, while infrastructure capacity and investment should respond to market signals. Infrastructure capacity and funding are constrained, and these constraints lead to scarcity, implying opportunity costs. To maximise the value from investment, resources must be directed to where they are most efficiently utilised.
- Mr Thompson allocates greenfield housing demand on a pro rata basis, aligned with estimated capacity and strategic planning documents (pages 5 and 15). In contrast, I consider that housing demand is best revealed through market signals—specifically, households’ willingness to pay, which reflects the value placed on dwelling, land, and locational attributes.
- It is not clear how Mr Thompson arrived at the conclusion that lower priced houses in greenfield locations are the “...central economic consideration of the proposal, underpinning its ‘significant economic benefits.’” (page 6) First, Mr Thompson has not quantified this ostensible benefit. Second, the contention is that the benefits of the Proposed Development materialise only if it is brought forward in time. However, doing so requires the allocation of public resources to support the development¹. This reallocation introduces opportunity costs, which must be carefully considered.
- Mr Thompson states, “My [sic] Stewart and I agree that the proposal would result in a faster rate of supply and would provide lower priced housing” (page 8). This does not accurately reflect my position. Mr Thompson omits important qualifiers, such as the opportunity costs.
- Mr Thompson and I agree that costs associated with development must be considered (page 8). However, Mr Thompson contends that these costs have already been accounted for during the AUP process² (page 8). I have addressed this in my 25 June Addendum (pages 3-4) but I will restate it here with reference to my previous comments:
 - First, from my 25 June Addendum: “It is not clear that all costs and benefits have been considered when Council zoned land for FUZ. This is evident in the timing of the proposed release under the FDS as being late in the process (2050+) and the lack of structure plan. Council would likely have brought forward the timing of the proposed Delmore development area if the benefits of the area being live zoned exceeded the costs, relative to other FUZ areas being live zoned, and / or there was the capacity to provide a financing and funding solution for the infrastructure.”
 - Second, a cost-benefit analysis evaluating whether the AUP was net beneficial compared to the operative plan at the time, is not a substitute for development specific analysis. Site-level impacts can vary significantly and warrant consideration.
 - Third, the Proposed Development introduces additional costs through being out-of-sequence.
 - Finally, from my 25 June Addendum: “... I understand that the precise form and timing of urbanisation of FUZ land is subject to further planning processes, namely structure planning and a plan change to live zone the land, involving further section 32 analysis of costs and benefits. I do not consider that the AUP plan review process can be seen as conclusive evidence that the economic benefits of this specific proposal, now several years on, outweigh the costs.”

¹ Auckland Council, Annexure 1: Funding and Financing Memorandum – Delmore Fast-Track Application (BUN60444768), prepared by Brigid Duffield and Ian Kloppers, 25 June 2025. See table on pages 4-10, for list of identified supporting infrastructure.

² This view is also expressed by the Applicant’s counsel in para 6.4 of “20250705 Memorandum of counsel response to comments final”

- On page 12, Mr Thompson states that “house prices [in Auckland] have continued to see rapid price increases under the AUP.” However, it is unclear what point of comparison he is using. In fact, house price growth slowed following the AUP’s introduction—Auckland’s median sales price in January 2020 was \$870,000, slightly below the level in November 2016 when the AUP became operative (source: REINZ). Moreover, there have been several academic articles analysing the policy impact of the AUP:
 - rents would have been higher in the absence of the AUP³, and
 - dwelling construction was higher post-AUP⁴, and
 - development potential is higher post-AUP⁵, and
 - development is locating closer to the CBD, employment nodes and transportation network access points post-AUP⁶.
- Mr Thompson argues that a cost-benefit analysis (CBA) is either infeasible or overly complex (page 14). However, this misrepresents my position. I have recommended a systematic cost-benefit framework to assess the proposed development against a counterfactual scenario—not an overly detailed spatial-temporal model. Dr Meade supports this view, stating in paragraph 21 of his Economics Peer Review: “I further agree with Mr Stewart that it is reasonable and feasible for the Application’s economic assessment to provide a full CBA.”
- I also disagree with Mr Thompson’s characterisation of the FTAA applicant as a “typical applicant.” FTAA applicants seek approval for projects that claim significant regional or national benefits (here regional benefits, not national, are claimed), often involving substantial financial investment and operating under compressed timeframes for stakeholder engagement. This context sets them apart.
- Mr Thompson suggests that I am seeking the same type of assessment as required under section 32 of the Resource Management Act (RMA) (page 15)⁷. However, the assessment framework I propose (CBA) is a well-established economic evaluation tool unrelated to the RMA.
- CBA is an appropriate tool in a FTAA context because it can assist the Panel in evaluating whether the Proposed Development aligns with the purpose of the FTAA and whether the adverse impacts of the Proposed Development are disproportionate to any benefits.
- Mr Thompson attributes price differences between locations to “historical windfall gains” resulting from past supply constraints (page 12). I do not share this view. Price differentials primarily reflect differences in locational attributes, which households value differently. Mr Thompson’s interpretation overlooks these factors and implies that supply constraints are the sole driver. This is inconsistent with both economic theory and empirical evidence.
- Mr Thompson conflates my economic concerns with a legal obligation on Auckland Council to provide growth infrastructure (see page 16). I am not a legal expert; my concern is based solely on economic reasoning.

³ Greenaway-McGrevy, R., & So, Y. (2023). Can zoning reform reduce housing costs? Evidence from rents in Auckland. Economic Policy Centre. <https://www.auckland.ac.nz/content/dam/uoa/auckland/business/about/our-research/research-institutesand-centres/Economic-Policy-Centre--EPC-/WP016>, 203.

⁴ Greenaway-McGrevy, R., & Phillips, P. C. (2023). The impact of upzoning on housing construction in Auckland. *Journal of Urban Economics*, 136, 103555.

⁵ Greenaway-McGrevy, R., Pacheco, G., & Sorensen, K. (2021). The effect of upzoning on house prices and redevelopment premiums in Auckland, New Zealand. *Urban studies*, 58(5), 959-976.

⁶ Greenaway-McGrevy, R., & Jones, J. A. (2023). Can zoning reform change urban development patterns? Evidence from Auckland. *Urban Studies*, 00420980241311521.

⁷ This view is also expressed by the Applicant’s counsel in para 6.5 of “20250705 Memorandum of counsel response to comments final”

- Mr Thompson and I hold differing views on whether the applicant’s funding \$10 million towards a road constitutes a transfer or a benefit. I would offer these three points on this:
 - When taking a societal view (for CBA), this is a transfer⁸ because one party gains \$10 million at the cost of another; the total resources in the system remain the same and the road is built regardless.
 - Setting that point aside, impacts arising from the development of a road that could be benefits in a CBA context include travel time savings and reduced fuel costs.
 - Additionally, these benefits must be balanced against the costs that arise which I understand to be considerable. My understanding of the Auckland Transport memo⁹ (dated 25 June 2025) is that the construction of the part of the proposed road (NoR 6) in the new alignment proposed by the Applicant is estimated to have significant costs implications for the construction of the remainder of NoR 6 and ongoing maintenance costs (in excess of the partial funding proposed of \$10 million) and, to some degree, necessitates the construction of another arterial corridor (NoR 10) and other road upgrades.

The key new issues are as follows:

Responding to Appendix 53.2 – UE Response to AC Economics:

- The IGC financial calculations presented by Mr Thompson (pages 9–11, in Figures 5 and 6) raise questions regarding the assumptions underpinning his analysis. It is unclear where Mr Thompson believes these households will come from (displacement) and what the whole of life cost of the other supporting infrastructure will be.
- Mr Thompson relies on Mr Kitchen’s assessment to conclude that sufficient infrastructure capacity exists to support the Proposed Development (page 9). However, I understand that significant funding and financing gaps remain. As outlined in Auckland Council’s memorandum (Duffield & Kloppers, 25 June 2025), “A significant infrastructure financing and funding gap exists for this Application,” and “There are no agreements confirming the scope of these proposed works or how ongoing operational expenditure (OPEX) will be paid.” Pages 4–10 of the memo detail substantial shortfalls in both capital and operational funding, which are not addressed in the Applicant’s proposal and are not recoverable through Development Contributions or Infrastructure Growth Charges.
- Mr Thompson states (page 15) that the economic assessment should focus on the benefits of bringing new development to market quickly, rather than considering opportunity costs of alternative locations. I disagree. Opportunity costs are a fundamental component of sound economic analysis and are directly relevant to assessing whether the Proposed Development represents the most efficient use of limited resources.
- Moreover, Mr Thompson appears to contradict himself later on the same page (page 15) when he states: “I agree with Mr Stewart that economic analysis requires consideration of both costs and benefits, which I have completed.” This acknowledgment implies that costs—including opportunity costs—should be considered.

⁸ New Zealand Treasury, Guide to Social Cost Benefit Analysis, July 2015, paras. 17–18. Available at: <https://www.treasury.govt.nz/publications/guide/guide-social-cost-benefit-analysis>.

⁹ Auckland Transport, Delmore Fast-Track Application – Council Response, memorandum to Auckland Council, 25 June 2025, paras. 5–10, Annexure 20, BUN60444768

- Mr Thompson disagrees with the counterfactual I proposed for the cost-benefit analysis (page 17), reflecting a fundamental difference in our understanding of what a CBA entails. He suggests a counterfactual in which the site remains farmland. However, this scenario is already captured within the broader, system-wide counterfactual I have recommended, which considers development sequencing and resource allocation across the region.
- Mr Thompson dismisses the Council's population projections (Auckland Growth Scenario v1.1) as inaccurate due to historical performance. This reasoning is flawed. Projections are based on the best available data at the time and are not intended to replicate past outcomes. Past projection accuracy does not determine the validity of future forecasts.
- Mr Thompson asserts that price is not an indication of demand, stating: "Mr Stewart [page 13] implies that higher priced locations have higher demand. I do not agree as many households, particular [sic] those purchasing their first of [sic] second home, have no practical ability to purchase in an inner or middle suburb, particularly if they are a family household and require 3+ bedrooms" (page 17). I disagree with this assessment. Price is a fundamental signal of demand relative to supply in economics.

Responding to "20250705 Memorandum of counsel response to comments final":

- At para 6.9, Ms Wright states, *"...it is evident from the text, context, and purpose of the FTAA that it requires a much simpler, more straightforward analysis of benefits and impacts/costs, than the Council contends. This applies to assessment of economic benefits and impacts/cost, just as it does to benefits and impacts/costs associated with other disciplines."* I do not have any problem with this approach *per se*. Ms Wright is merely restating the purpose of CBA, which aims to quantify costs and benefits where possible and acknowledge costs and benefits that cannot be quantified (or a difficult to quantify). Whether these costs and benefits fit within Ms Wright's definition of "economic" or "other disciplines" is irrelevant since they should both be included in a CBA, if they are relevant. As it stands, the Applicant has not established a framework for understanding the resource trade-offs arising from the Proposed Development.

Outstanding Information Gaps

The key outstanding information gaps are as follows:

- A systematic weighing up of the costs and benefits of the Proposed Development compared to an appropriate counterfactual has not been completed. A CBA is an appropriate tool for this purpose. It will enable the Panel to assess the value of resource trade-offs resulting from the Proposed Development. A cost-benefit analysis would:
 - demonstrate the net impact of the development on societal welfare and how sensitive this impact is to underlying assumptions and sensitivities
 - align with the legislative intent of the FTAA by enabling a determination of the significance of the economic benefits of the Proposed Development
 - provide confidence to ratepayers and Auckland Council that societal resources are being used wisely
 - provide confidence to Central Government that the FTAA is operating as intended to enhance overall national benefits, rather than pitting regions against one-another.

Information gap	Nature of deficiency	Decision-making impact	Risk / uncertainty created
1. A cost-benefit analysis has not been conducted or supplied	<p>A cost-benefit analysis that systematically weighs up the resource trade-offs involved in enabling the Proposed Development including:</p> <ul style="list-style-type: none"> • A framework of costs and benefits. • Quantification, where possible, of the costs and benefits arising from the Proposed Development relative to an appropriate counterfactual. • A qualitative assessment of costs and benefits where quantification is not possible. • An assessment of the likelihood and uncertainty in measurement, including sensitivity analysis. • Adjusting for the timing and riskiness of benefits and costs, including through a suitable choice of discount rate. • A conclusion on whether the benefits of the Proposed Development exceed the costs, ideally with an assessment of how benefits and costs are distributed (and adjustment for the incremental value of such benefits and costs to different demographic groups). 	<p>Cannot weigh up the resource trade-offs involved.</p> <p>Cannot assess whether the Proposed Development is net beneficial.</p> <p>Cannot determine if the Proposed Development would result in “significant regional or national benefits”.</p>	<p>Potential for scarce societal resources to be used inefficiently.</p>

6.0 Recommendation

In my view, the Applicant has not provided sufficient information to enable a robust assessment of whether the Proposed Development would deliver a net economic benefit—let alone the “*significant regional or national benefits*” required under the fast-track process.

Given the scale of infrastructure investment required and the absence of a confirmed funding and financing solutions, the Proposed Development presents a high-risk proposition. It would entail a substantial commitment of public resources and will likely displace other, higher-priority investments and there is a good chance that those other investments would offer a higher net benefit to society.